



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF MARTINSVILLE
CLINTON COUNTY
DECEMBER 31, 2021 AND 2020**

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OHIO AUDITOR OF STATE KEITH FABER



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REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Village of Martinsville
Clinton County
PO Box 177
Martinsville, Ohio 45146

To the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of Martinsville, Clinton County, (the Village), as of and for the years ended December 31, 2021 and 2020. These procedures were designed to satisfy the audit requirements of Ohio Rev. Code § 117.11, and Ohio Admin. Code 117-4-02. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2021-001 through 2021-002, 2021-005, 2021-007, 2021-008, 2021-012, 2021-014, and 2021-016 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as item 2021-001 through 2021-007, 2021-009 through 2021-011, 2021-013 through 2021-15, and 2021-017.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio
January 24, 2024

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Village of Martinsville
Clinton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Combined Total
Cash Receipts			
Unclassified	36,008	35,389	71,397
<i>Total Cash Receipts</i>	36,008	35,389	71,397
Cash Disbursements			
Unclassified	34,381	12,418	46,799
<i>Total Cash Disbursements</i>	34,381	12,418	46,799
<i>Excess of Receipts Over (Under) Disbursements</i>	1,627	22,971	24,598
Other Financing Receipts (Disbursements)			
Transfers In	34,866	-	34,866
<i>Total Other Financing Receipts (Disbursements)</i>	34,866	-	-
<i>Net Change in Fund Cash Balances</i>	36,493	22,971	59,464
<i>Fund Cash Balances, January 1</i>	33	42,957	42,990
<i>Fund Cash Balances, December 31</i>	<u>\$36,526</u>	<u>\$65,928</u>	<u>\$102,454</u>

See accompanying notes to the basic financial statements

Village of Martinsville
Clinton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2021

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Unclassified	15,839
<i>Total Operating Cash Receipts</i>	15,839
Operating Cash Disbursements	
Unclassified	17,767
<i>Total Operating Cash Disbursements</i>	17,767
<i>Operating Income (Loss)</i>	(1,928)
Other Financing Receipts (Disbursements)	
Transfers Out	(34,866)
<i>Total Other Financing Receipts (Disbursements)</i>	(34,866)
<i>Net Change in Fund Cash Balances</i>	(36,794)
<i>Fund Cash Balances, January 1</i>	37,390
<i>Fund Cash Balances, December 31</i>	\$596
<i>See accompanying notes to the basic financial statements</i>	

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Village of Martinsville (the Village), Clinton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council directs the Village. The Village provides trash collection services. The Village contracts with the Clinton County Sheriff's department to provide security of persons and property. The Village contracts with the Clark Township Volunteer Fire Department to receive fire protection services.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Maintenance and Repair The street maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Street Lighting Fund The street lighting fund received special assessment money for maintaining and repairing the Village street lights.

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Refuse Operating Fund The refuse operating fund accounts for the charges for services from users located within the Village to cover the cost of providing this service.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting

A summary of 2021 budgetary activity appears in Note 4

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, budgetary documentation (such as appropriations and certificate of estimated resources) was not filed for the Village in 2021.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Budgetary Activity (continued)

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$70,874	\$70,874
Special Revenue	0	35,389	35,389
Enterprise	0	15,839	15,839
Total	\$0	\$122,102	\$122,102

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$34,381	(\$34,381)
Special Revenue	0	12,418	(12,418)
Enterprise	0	52,633	(52,633)
Total	\$0	\$99,432	(\$99,432)

Note 5 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Village's deposit account is as follows:

Demand deposits	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">2021</td> </tr> <tr> <td style="text-align: center; border-bottom: 3px double black;">\$103,050</td> </tr> </table>	2021	\$103,050
2021			
\$103,050			

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and Investments	\$ 41,996,850
Actuarial Liabilities	\$ 14,974,099

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Social Security

Some of Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Note 8 – Defined Benefit Pension Plans (continued)

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Note 9 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures MAY impact subsequent periods of the Village. The Village's investments of the pension and other employee benefit plan in which the Village participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

Note 10 – Subsequent Events

In 2023, the Village created a new fund to account for Park Pavilion Projects funded by donations and a 2023 Legacy Grant in the amount of \$22,000.

Village of Martinsville
Clinton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Combined Total
Cash Receipts			
Unclassified	30,931	27,529	58,460
<i>Total Cash Receipts</i>	<u>30,931</u>	<u>27,529</u>	<u>58,460</u>
Cash Disbursements			
Unclassified	50,461	81,914	132,375
<i>Total Cash Disbursements</i>	<u>50,461</u>	<u>81,914</u>	<u>132,375</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,530)</u>	<u>(54,385)</u>	<u>(73,915)</u>
<i>Fund Cash Balances, January 1, Restated</i>	<u>19,563</u>	<u>97,342</u>	<u>116,905</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$33</u></u>	<u><u>\$42,957</u></u>	<u><u>\$42,990</u></u>

See accompanying notes to the basic financial statements

Village of Martinsville
Clinton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2020

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Unclassified	15,807
<i>Total Operating Cash Receipts</i>	15,807
Operating Cash Disbursements	
Unclassified	17,802
<i>Total Operating Cash Disbursements</i>	17,802
<i>Operating Income (Loss)</i>	(1,995)
<i>Fund Cash Balances, January 1</i>	39,385
<i>Fund Cash Balances, December 31</i>	\$37,390
<i>See accompanying notes to the basic financial statements</i>	

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Martinsville (the Village), Clinton County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected six-member Council directs the Village. The Village provides trash collection services. The Village contracts with the Clinton County Sheriff's department to provide security of persons and property. The Village contracts with the Clark Township Volunteer Fire Department to receive fire protection services.

Public Entity Risk Pool

The Village participates the Public Entities Pool of Ohio public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

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Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Maintenance and Repair The street maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Street Lighting Fund The street lighting fund received special assessment money for maintaining and repairing the Village street lights.

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Refuse Operating Fund The refuse operating fund accounts for the charges for services from users located within the Village to cover the cost of providing this service.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting

A summary of 2020 budgetary activity appears in Note 4

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, budgetary documentation (such as appropriations and the certificates of estimated resources) was not filed for the Village in 2020.

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$30,931	\$30,931
Special Revenue	0	27,529	27,529
Enterprise	0	15,807	15,807
Total	\$0	\$74,267	\$74,267

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$50,461	(\$50,461)
Special Revenue	0	81,914	(81,914)
Enterprise	0	17,802	(17,802)
Total	\$0	\$150,177	(\$150,177)

Note 5 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits. A summary of the Village’s deposit account is as follows:

	2020
Demand deposits	\$80,380

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Taxes (continued)

pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and Investments	\$40,318,971
Actuarial Liabilities	\$14,111,510

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

Village of Martinsville, Ohio
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Social Security

Some of Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Note 8 – Defined Benefit Pension Plans (continued)

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 9 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures MAY impact subsequent periods of the Village. The Village's investments of the pension and other employee benefit plan in which the Village participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

Note 10 – Fund Balance Restatement

The following funds have been restated to correct receipts that were recorded in the wrong funds in the prior year.

	General Fund	State Hwy Fund	Street Main. Repair Fund	Street Light Fund	Total
Fund Balances, December 31, 2019	\$ 27,616	\$ 15,329	\$ 72,663	\$ 1,297	\$ 116,905
Restatement to correct misposting	\$ (8,053)	\$ (2,655)	\$ 8,170	\$ 2,538	\$ -
Restated Fund Balances, January 1, 2020	\$ 19,563	\$ 12,674	\$ 80,833	\$ 3,835	\$ 116,905

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

FINDING NUMBER 2021-001

Internal Control Deficiency and Noncompliance – Segregation of Duties and Internal Controls
Ohio Admin. Code § 117-2-01 states:

- (A) All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.
- (B) "Internal control" means a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - (1) Reliability of financial reporting.
 - (2) Effectiveness and efficiency of operations
 - (3) Compliance with applicable laws and regulations; and
 - (4) Safeguarding of assets
- (C) Internal control consists of the following five interrelated components:
 - (1) Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
 - (2) Risk assessment, which is the entity's identification and analysis of relevant risks to the achievement of its objectives, forming a basis for determining how the risks should be managed.
 - (3) Control activities, which are policies and procedures that help ensure management directives are carried out.
 - (4) Information and communication, which are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
 - (5) Monitoring, which is a process that assesses the quality of internal control performance over time.
- (D) When designing the public office's system of internal control and the specific control activities, management should consider the following:
 - (1) Ensure that all transactions are properly authorized in accordance with management's policies.
 - (2) Ensure that accounting records are properly designed
 - (3) Ensure adequate security of assets and records
 - (4) Plan for adequate segregation of duties or compensating controls.
 - (5) Verify the existence and valuation of assets and liabilities and periodically reconcile them to accounting records.
 - (6) Perform analytical procedures to determine the reasonableness of financial data.

FINDING NUMBER 2021-001
(Continued)

- (7) Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- (8) Monitor activities performed by service organizations.

The following conditions were noted:

- The small size of the Village does not allow for an adequate segregation of duties. The Fiscal Officer performs all the financial record keeping including the receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management.
- Accurate payroll records were not maintained. (See Finding 2021-008)
- The Fiscal Officer was reimbursed for fees paid to Quickbooks, that totaled \$515 in 2020 and \$129 in 2021, but the software was never set up and used to record financial transactions. The Village recorded receipts, disbursements, and fund balances in a manual unclassified cash journal.
- The Village did not issue a duplicate receipt for any revenue received by the Village.
- The Village does not have controls in place to assure proper reporting or safeguarding of Village assets.
- The Village had one out of fifteen checks (7%) that were signed by only one authorized signatory in 2020. The Village had two out of eleven checks (18%) that were signed by only one authorized signatory in 2021.
- The Village had five out of fifteen checks (33%) that did not match the information recorded in the cash journal (check date, payee, etc.) in 2020. The Village had two out of eleven checks (18%) that did not match the information recorded in the cash journal (check date, payee, etc.) in 2021.
- The Village had one out of fifteen checks tested (7%), totaling \$500, that did not have proper supporting documentation in 2020 when paid. Documentation was later provided for audit.
- The Village's Refuse Receipt Policy/Procedure states that each check, log date, check number, name of paying party, customer number and amount paid shall be entered into the check register and, once all line items have been completed, enter the grand total in the "total receipts" filed at the bottom of the check register, along with a signature and date of which the checks were received. The Fiscal Officer did not record a signature for any of the deposits recorded in the refuse receipt check register.
- The Village is not reconciling their monthly trash reports to the amounts deposited to the refuse account every month.

It is important that Council monitor financial activity and assets of the Village and ensure reporting is accurate. Failure to accurately prepare the accounting records:

- (1) reduces the accountability over Village funds,
- (2) reduces Council's ability to monitor financial activity and make informed financial decisions,
- (3) increases the likelihood that moneys will be misappropriated and not detected, and
- (4) increases the likelihood that the financial statements will be misstated.

**FINDING NUMBER 2021-001
(Continued)**

To help strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend the Village's officials and management implement the following controls:

- Officials should periodically review the accounting records and financial statements to determine accuracy and to ensure themselves that proper procedures are followed by the fiscal officer.
- The Village should reconcile monthly trash reports to the amounts deposited to the refuse account every month.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-002

Internal Control Deficiency and Noncompliance – Required Accounting Records

Ohio Revised Code § 733.28 states that the Village Fiscal Officer must keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all property owned by the Village and income derived therefrom, and of all taxes and assessments.

Ohio Admin. Code § 117-2-02 (C)(1) requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Ohio Admin. Code § 117-2-02 (D) states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

FINDING NUMBER 2021-002
(Continued)

- (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:
- a. Payroll records including:
 - i. W-2's, W-4's and other withholding records and authorizations.
 - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, the employee's identification number, hours worked, wage rates, pay date, withholdings by type, net pay and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
 - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.
 - iv. Information regarding nonmonetary benefits such as car usage and life insurance.
 - v. Information, by employee, regarding leave balances and usage.
 - b. Utility billing records including:
 - i. Master file of service address, account numbers, billing address, type of services provided, and billing rates.
 - ii. Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and non-cash adjustments, each maintained by date and amount.
 - iii. Cash receipts records, recording cash received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described above.

The following conditions existed during the audit period:

- The Village did not maintain a Receipt Ledger or Appropriation Ledger; therefore, appropriations and estimated resources were not recorded in a trackable system. Additionally, appropriations, estimated receipts, and actual receipts and expenditures reported in the budgetary presentation did not agree to official budgetary documents or the Cash Journal.
- The Village did not maintain personnel files for all employees with proper signed withholding documentation. (See Finding 2021-008)

Failure to accurately maintain and reconcile the accounting records 1) reduces the accountability over Village funds; 2) reduces the Council's ability to monitor financial activity and make informed decisions; 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

The Village should maintain proper accounting records: receipt ledger, appropriation ledger, payroll records, and utility billing records in accordance with the Ohio Rev. Code and Ohio Admin. Code.

**FINDING NUMBER 2021-002
(Continued)**

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-003

Noncompliance

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

Ohio Rev. Code, Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2021 or 2020. Additionally, the Village did not file appropriations for 2021 or 2020 with the county auditor.

The Village did not have budgetary monitoring control policies and procedures in place. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring. Also, failure to approve and file annual appropriations did not allow Village officials to monitor budgetary position and could result in overspending and negative fund balances.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources. The Village should file the appropriate budgetary documentation with the county auditor and Budget Commission as required by Ohio Law.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-004

Noncompliance – Minutes Record

Ohio Rev. Code § 121.22 (C) imposes a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection. Also, the Village's minutes should be signed by at least two Village officials certifying the minutes are approved as prepared.

**FINDING NUMBER 2021-004
(Continued)**

We noted the following conditions related to the Village's minutes:

- None of the minutes for 2020 or 2021 were signed by management or council members. As of February 2022, the Mayor and Fiscal Officer have been signing the minutes.
- A complete set of minutes was not maintained; minutes for January 2020 emergency meetings were not provided for audit.
- All bills and financials information were approved in each meeting; however, the financial reports were not provided/included with the minute record.
- January 2021 meeting minutes were not approved.
- The Village was unable to provide minutes for meetings during April 2022, November 2022, or March 2023.
- Minute records did not document Council's approval of pay rates, and stipend increases.

Failure to properly maintain and approve accurate minutes could lead to possible omissions or alterations to the minutes record without Council's knowledge, and discrepancies in ordinances and resolutions being passed by Council resulting in disputes between the Village and the public over funds and laws. Not receiving and approving detailed monthly financial reports inhibits Council's ability to properly monitor the Village's funds and could result in deficit spending.

The Village should prepare all minutes promptly after each meeting, approve them the subsequent meeting, have Village officials sign the minutes, and maintain a complete minute book. In addition, the Village should be receiving a monthly financial report presenting month and year-to-date budgeted and actual revenues and expenditures, and fund balances for all Village funds. This financial report should be approved in the minutes and a copy maintained with the minutes record.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-005

Internal Control Deficiency and Noncompliance – Posting Transactions

Ohio Rev. Code § 5705.10(D) provides, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Village inappropriately recorded the following receipts and expenditures in the accounting records:

- In 2021 and 2020, the Village incorrectly posted their real estate, special assessment, and manufactured home tax settlement receipts at net rather than gross. These receipts should be recorded at gross amounts and the deductions should be recorded as payments in the Village books.
- In 2020, the Village recorded Street Lighting tax receipts in the General Fund, causing the Street Lighting fund to be understated and the General Fund to be overstated \$189, respectively. In 2021, the Village recorded Street Lighting tax receipts in the General Fund, causing the Street Lighting fund to be understated and the General Fund to be overstated \$7,191, respectively.

FINDING NUMBER 2021-005
(Continued)

- In 2020, the Village allocated intergovernmental receipts incorrectly, causing the Street Maintenance fund to be understated \$12,029 and the State Highway and Street Lighting funds to be overstated \$8,698 and \$3,331, respectively. In 2021, the Village allocated intergovernmental receipts incorrectly, causing the Street Maintenance fund to be understated \$10,479, and the General and State Highway funds to be overstated \$1,061 and \$9,418, respectively.
- In 2020, the Village made unallowable transfers in the amount of \$5,825 from the Street Maintenance fund to the Street Lighting fund, causing the Street Maintenance fund to be understated and the Street Lighting fund to be overstated \$5,825, respectively. In 2021, the Village made unallowable transfers in the amount of \$10,000 from the Street Maintenance fund to the Street Lighting fund, causing the Street Maintenance fund to be understated and the Street Lighting fund to be overstated \$10,000, respectively. (See finding number 2021-017)
- In 2020, the Village recorded Franchise Fee receipts to the Refuse fund, causing the General Fund to be understated and the Refuse fund to be overstated \$715, respectively. In 2021, the Village recorded Franchise Fee and BWC receipts to the Refuse fund, causing the General Fund to be understated and the Refuse fund to be overstated \$3,051, respectively.

The Village did not have procedures in place for effective monitoring of the Village's financial activity, and the accuracy of accounting and financial reporting. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity. Failure to accurately post and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

Due care should be exercised when posting entries to the financial records. The Village officials should review the chart of accounts to assure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

The Village corrected the financial statements and accounting records where appropriate.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-006

Noncompliance – Timely Deposits

Ohio Rev. Code § 9.38 provides in part, all public monies received shall be deposited with the treasurer of the public office or designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of public moneys so received does not exceed \$1,000, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

The Village's Check Receipt Procedure (the policy), addresses the Village's procedures for depositing public monies in accordance with Ohio Rev. Code § 9.38, including deposit with the Fiscal Officer or properly designated depository every 24 hours.

**FINDING NUMBER 2021-006
(Continued)**

In 2020, the Village did not record dates that refuse receipts were received; therefore, it could not be determined if the receipts were deposited timely. In 2021, eleven out of seventy-five (15%) refuse receipts tested, totaling \$3,043, were not deposited with the fiscal officer or designated depository for a period ranging from two to six business days after initial receipt of the monies. Delays of this nature resulting from deficiencies in internal control procedures could cause receipts to be lost, misplaced, or stolen without being detected in a timely manner.

The Village should draft, approve, and implement policies and procedures to help ensure timely depositing of public monies in accordance with Ohio Rev. Code § 9.38 for receipts other than for refuse. The Village should also monitor the implementation of refuse policies and procedures to help ensure timely depositing of public monies in accordance with Ohio Rev. Code § 9.38.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-007

Internal Control Deficiency and Noncompliance – Improper Certification of Expenditures

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing year, the amount required to meet the obligation in the fiscal year in which the contract is made has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Council can authorize the drawing of a warrant for the payment of the amount due. The Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – The auditor or fiscal officer may prepare "blanket" certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line-item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line-item appropriation.

**FINDING NUMBER 2021-007
(Continued)**

3. Super Blanket Certificate – The Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

Due to deficiencies in internal controls, the following conditions were noted for the audit period and there was no evidence the Council followed the aforementioned exceptions:

- Purchase orders were dated the same as the check date.
- Invoices were dated prior to the purchase order date.
- The Village did not complete a purchase order for twelve out of fifteen tested (80%) and nine out of eleven tested (82%) in 2020 and 2021, respectively.

Failure to certify the availability of funds could result in overspending funds and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-008

Internal Control Deficiency – Payroll Records

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices, and to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions.

The following conditions were noted during payroll testing:

2020 Payroll Conditions:

- State or Federal Taxes were not deducted from two employee's paychecks. One employee did not have OPERS deducted from his paychecks. One employee also had social security deducted from his paychecks in addition to OPERS. The Village does not have the required signed withholding documentation to support these deductions. The Village should ensure all employee's sign proper withholding documentation and retain these items in employee personnel files.
- The Village did not maintain OPERS payment documentation to show monthly payments. As a result, individual months' payment amounts could not be tested. The Village should maintain a breakdown of OPERS payments for every month of the year.

FINDING NUMBER 2021-008
(Continued)

- One employee's June paycheck was calculated incorrectly, resulting in an overpayment of \$24.
- One employee's February paycheck was calculated incorrectly resulting in an underpayment of \$7.
- The Village did not document Council approval for fourth quarter monthly stipend increases to \$20, The Fiscal Officer indicated there was a verbal agreement for the increase. The Village should document approved stipend amounts in the minute record. This resulted in inconsistencies in Council pay during the year.

2021 Payroll Conditions:

- The Village did not retain OPERS payment documentation to show monthly payments. As a result, individual months' payment amounts could not be tested. The Village should maintain a breakdown of OPERS payments for every month of the year.
- State or Federal Taxes were not deducted from two employee's paychecks. One employee did not have OPERS deducted from his paychecks. One employee also had social security deducted from his paychecks in addition to OPERS. The Village does not have the required signed withholding documentation to support these deductions. The Village should ensure all employee's sign proper withholding documentation and retain these items in employee personnel files.
- One employee's June paycheck was not recorded correctly in the payroll journal or the Village's cash journal, however, the employee was paid the correct rate.
- The Fiscal Officer was overpaid \$5.51 for the months of March-December, resulting in a total overpayment of \$55.10.
- One employee's August paycheck was calculated incorrectly resulting in an underpayment of \$5.
- The Village did not document Council approval for fourth quarter monthly stipend increases to \$20, The Fiscal Officer indicated there was a verbal agreement for the increase. The Village should document approved stipend amounts minute record. This resulted in inconsistencies in council pay during the year.
- The Village did not have a formal written board approval/resolution for an employee's pay rate, nor did they have a resolution for standard labor pay rate.

Failure to maintain accurate payroll records results in a lack of financial accountability, could cause employees to be paid incorrect amounts, and increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner. Controls should be put in place to help ensure that all payroll disbursements are properly accounted for.

We recommend that the Village formally approve employee pay rates in the minutes annually, maintain accurate payroll journals, and verify amounts remitted for federal and state taxes agree to the amounts withheld from employee pay. We also recommend the Village review those employees paying into social security to determine if they should be paying into OPERS instead.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-009

Noncompliance – Annual Financial Reporting

Ohio Rev. Code § 117.38 requires cash basis entities to file annual reports with the Auditor of State within 60 days of fiscal year end. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports.

As of December 28, 2023, The Village did not file financial reports for 2021 or 2020 in the Auditor of State's Hinkle System.

Failure to file an annual financial report could result in a penalty of twenty-five dollars for each day the report remains un-filed, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report. Additionally, the lack of an annual report could result in auditing difficulties.

The Village should prepare and file annual financial report including footnotes with the Auditor of State within 60 days of fiscal year end.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-010

Noncompliance – Public Records Policy and Public Records Law Training

Ohio Rev. Code § 149.43(E)(2) provides that every public office must have a policy in place for responding to public records requests. Generally, a public records policy cannot: (1) limit the number of public records the office will make available to a single person; (2) limit the number of public records the office will make available during a fixed period of time; and (3) establish a fixed period of time before the office will respond to a request for inspection/copying of public records unless that period is less than eight hours. However, pursuant to **Ohio Rev. Code § 149.43(B)(7)(c)**, the policy may limit the number of public records the public office will physically deliver by U.S. Mail or other delivery service to ten per month unless the person certifies to the office in writing that the person does not intend to use or forward the requested records, or the information contained in them, for commercial purposes. "Commercial" is narrowly construed and does not include reporting or gathering news, reporting, or gathering information to assist citizen oversight or understanding of the operation or activities of government, or nonprofit educational research.

Ohio Rev. Code § 149.43(E)(2) further requires all public offices take certain actions regarding their public record policy. Public offices must distribute their Public Records Policy to the employee who is the records custodian/manager or otherwise has custody of the records of that office and have that employee acknowledge receipt of the Public Records Policy; create and display in a conspicuous place in all locations where the public office has branch offices a poster describing the public records policy; and, if the public office has a manual or handbook of its general policies and procedures for all employees, include the public records policy in that manual or handbook.

The Village does not have a formal written policy that would demonstrate compliance with the Ohio Revised Code. This could result in records requests not being fulfilled in accordance with Ohio law.

The Village shall establish a public records policy. The policy shall be distributed to the records custodian/manager and the Village should have a written acknowledgement of receipt from the records custodian/manager. In addition, a poster describing the public records policy must be conspicuously displayed in all of the Village's branch offices and the public records policy must be included in policy manuals or handbooks if any exist.

FINDING NUMBER 2021-010
(Continued)

Pursuant to **Ohio Rev. Code § 109.43(E)(2)**, the Ohio Attorney General has developed and provided to all public offices a model public records policy for responding to public records requests. The policy, which is available at <https://www.ohioattorneygeneral.gov/Files/Government-Entities/Model-Public-Records-Policy.aspx>, provides guidance to public offices in developing their own policies for responding to public records requests in compliance with the Public Records Act.

In addition, **Ohio Rev. Code §§ 109.43(B) and 149.43(E)(1)** require all state and local elected officials, or their designees, to attend 3 hours of training on Ohio's Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof of completion of training must include documentation either from the Attorney General's Office or from another entity certified by the Attorney General to provide the training to the elected official or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

None of the Village's elected officials attended a required Certified Public Records Training or had an appropriate designee attend a training during their term in office, due to deficiencies in internal controls over public record laws training procedures and monitoring. This could result in improper education of public offices regarding the offices' duties related to public records requests as well as improper withholding of information from stakeholders.

The elected officials, or their designee(s), should, during their term of office, attend public records training and maintain proof of completion of the training.

Furthermore, **Ohio Rev. Code § 149.43(B)(2)** requires a public office to have a copy of its current records retention schedule at a location readily available to the public.

The Village has not established or created a records retention schedule; therefore, it is not readily available to the public. The Village should create a records retention schedule and ensure it is readily available to the public.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-011

Noncompliance – Fraud Reporting System

Ohio Rev. Code § 117.103(B)(1) states that a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. Since May 4, 2012, **Ohio Rev. Code § 117.103(B)(2)** has also required each public office to make all its employees aware of the fraud-reporting system. **Ohio Rev. Code § 117.103(B)(3)** provides that a public office satisfies these notification requirements by providing information about the fraud-reporting system and means of reporting fraud in the employee handbook or manual. Employees must sign and verify receipt of the handbook or manual.

For 2021 and 2020, the Village neither made its current employees aware of the new fraud reporting system nor made new employees confirm receipt of this information. Failure to notify employees of the fraud reporting system could lead to instances of unreported fraud.

In order to prevent unreported instances of fraud, the Village should communicate the fraud reporting system to its current employees and implement a process for informing new employees.

**FINDING NUMBER 2021-011
(Continued)**

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-012

Internal Control Deficiency – Political Activities Policy

Public funds should not be used to support political activities. However, public funds may be used to publish information about the political subdivision's finances, activities and governmental actions in a manner that is not designed to influence the outcome of an election or the passage of a levy or bond issue. Public funds may also be used to compensate an employee for attending a public meeting to present such information in such a manner even though the election, levy or bond issue is discussed or debated at the meeting.

The Village did not adopt a policy or publish notification to employees regarding the prohibition of political activities.

The Village should adopt a policy and/or publish notification to employees regarding the prohibition of political activities.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-013

Noncompliance – Bonds

Ohio Rev. Code § 705.27 states, except as otherwise provided in the municipal charter or in section 3.061 of the Revised Code, the treasurer, auditor, and such other officers or employees of the municipal corporation as the legislative authority directs, shall give a bond to the municipal corporation for the faithful performance of their duties, in such sum as the legislative authority fixes by ordinance or resolution. Premiums on official bonds may be paid by the municipal corporation.

The Fiscal Officer does not have a bond on file or a faithful performance of duty policy for 2020 and 2021. Failure to maintain an appropriate bond or policy leaves the Village unprotected if the Fiscal Officer does not perform their duties in accordance with the law.

We recommend that Village maintain and secure the proper documentation for proof of bond or be covered by an employee dishonesty and faithful performance of duty policy in place of the bond.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-014

Internal Control Deficiency and Noncompliance – Related Party

Ohio Rev. Code § 2921.42(A)(1) provides that no public official shall knowingly authorize or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

FINDING NUMBER 2021-014
(Continued)

Ohio Rev. Code § 102.03(D), states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

A "public official" is defined in Ohio Rev. Code § 2921.01(A) as any elected or appointed officer, or employee, or agent of the state or any political subdivision, whether in a temporary or permanent capacity, and includes, but is not limited to, legislators, judges, and law enforcement officers.

During 2021 and 2020, the Village made three purchases from a company owned by Council Member Jimmie Brown totaling \$352. Mr. Brown did not abstain from the vote approving the financial report and list of bills for these months, which included the disbursement to Brown's Distributors.

The Village should consult with their legal counsel to review the requirements of Ohio Rev. Code § 2921.42 to ensure that all public officials are conducting Village business in accordance with Ohio Ethics laws. Council members should disclose their interest in any contract and abstain from approvals for payments, and ensure these disclosures are memorialized in the approved Council meeting minutes. This matter will be referred to the Ohio Ethics Commission.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-015

Noncompliance – Continuing Education

Ohio Rev. Code § 135.22(B) states that to enhance the background and working knowledge of treasurers in investments, cash management, ethics, and in any other subject area that the treasurer of state determines is reasonably related to the duties of a treasurer, the treasurer of state shall provide annual continuing education programs for treasurers. A treasurer annually shall complete the continuing education programs described unless the treasurer annually provides a notice of exemption.

Ohio Rev. Code § 733.27(B) states that the Village Fiscal Officer shall attend training programs for new Village Fiscal Officers and annual training programs of continuing education for Village Fiscal Officers that are provided by the Auditor of State pursuant to Section 117.44 of the Ohio. Rev. Code.

The Fiscal Officer did not attend the annual continuing education programs provided by the Auditor of State or complete the annual exemption to the Auditor of State's office in fiscal year 2020.

To maintain and/or enhance the working knowledge and prevent future occurrences of noncompliance, the Fiscal Officer shall attend the annual training or complete an annual exemption and submit the exemption to the Auditor of State's office.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-016

Internal Control Deficiency – Refuse Receipts

The Village's Refuse Receipt Policy/Procedure states that once a week, the Fiscal Officer or other appointed council member(s) will check PO Box for received refuse mail and record all received checks in the Check Register.

The Village did not document the PO Box being checked for twelve out of fifty-two (23%) weeks during 2021. The Village should be recording all dates that the Village PO Box is being checked for refuse receipts to ensure compliance with the Village receipt policy. If there are no receipts received during that week, this should be notated in the log/check register.

Additionally, in 2020, four out of nine (44%) refuse customer's accounts tested were not recorded properly in the year-end trash activity report. Some of these differences were due to timing, however some customer's balances were not calculated correctly, and payment amounts were not recorded in the correct amounts. One customer underpaid \$122 causing the Village to be shorted this amount, and another customer overpaid \$100 causing the Village to be overpaid this amount.

In 2021, three out of nine (33%) customer's accounts tested were not recorded properly in the year-end trash activity report. This could be due to December payments not being posted to the trash sub-system until after year-end.

The Village should ensure all customer payments made during the year are recorded in the trash sub-system in the proper period.

The Village should be reconciling the Trash Activity Report to UAN every month to ensure all payments made are being posted properly to customer accounts.

Officials' Response:

We did not receive a response from officials.

FINDING NUMBER 2021-017

Noncompliance – Transfers

Ohio Rev. Code § 5705.14(E) states money may be transferred from the general fund to any other fund of the subdivision and must be done pursuant to a resolution passed by a simple majority.

The Village made transfers in the amount of \$10,000 in 2021 and two transfers totaling \$5,824.62 in 2020, from the Street Maintenance fund to the Street Lighting fund. In addition to these not being allowable transfers, the Council only approved one of these transfers by a resolution passed by a simple majority of Council.

We recommend that all transfers under Ohio Rev. Code § 5705.14(E) be done pursuant to a resolution passed by a simple majority.

Officials' Response:

We did not receive a response from officials.

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**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2021 and 2020**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2019-001	Finding for Adjustment	Yes	Corrected - Adjustments made
2019-002	Accounting Records and Financial Activity	No	Repeated as Finding 2021-001
2019-003	Minutes	No	Repeated as Finding 2021-004
2019-004	Payroll Records	No	Repeated as Finding 2021-008
2019-005	Transfer	No	Repeated as Finding 2021-017
2019-006	Annual Financial Reporting	No	Repeated as Finding 2021-009
2019-007	Water Deposit Fund	Yes	Finding No Longer Valid
2019-008	Improper Certification of Expenditures	No	Repeated as Finding 2021-007
2019-009	Annual Exemption for Continuing Education	No	Repeated as Finding 2021-015
2019-010	Federal and State Remittances	Yes	All taxes have been paid to date and are current
2019-011	Timely Deposits	No	Repeated as Finding 2021-006
2019-012	Public Records Policy and Public Records Law Training	No	Repeated as Finding 2021-010
2019-013	Required Accounting Records	No	Repeated as Finding 2021-002
2019-014	Fraud Reporting System	No	Repeated as Finding 2021-011
2019-015	Political Activities Policy	No	Repeated as Finding 2021-012
2019-016	Budgetary	No	Repeated as Finding 2021-003
2019-017	Fiscal Integrity Act	Yes	Corrected – the Fiscal Officer has created a username in the fiscal integrity portal
2019-018	Bond	No	Repeated as Finding 2021-013
2019-019	Negative Fund	Yes	Corrected – the Village no longer has a negative fund balance

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MARTINSVILLE

CLINTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 2/15/2024

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov